



Patrick W. Henning, Director

August 29 2008

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Arnold Schwarzenegger
Governor

Ms. Kathy Zwart, WIB Director
Santa Cruz County Workforce Investment Board
1040 Emeline Avenue, Bldg. E
Santa Cruz, CA 95060

Dear Ms. Zwart:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Santa Cruz Local Workforce Investment Area's (Santa Cruz LWIA) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Karen Fuller-Ware from June 9, 2008, through June 13, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the Santa Cruz LWIA with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of the LWIA a review of applicable policies and procedures, and a review of documentation retained by the Santa Cruz LWIA for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on August 4, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further corrective action is required at this time.

BACKGROUND

The Santa Cruz LWIA was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, the Santa Cruz LWIA was allocated: \$982,959 to serve 344 adult participants; \$1,173,764 to serve 250 youth participants; and \$600,119 to serve 265 dislocated worker participants.

For the quarter ending March 31, 2008, the Santa Cruz LWIA reported the following expenditures and enrollments for its WIA programs: \$848,560 to serve 319 adult participants; \$690,843 to serve 207 youth participants; and \$527,889 to serve 246 dislocated worker participants.

FISCAL REVIEW RESULTS

We concluded that, overall, the Santa Cruz LWIA is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the Santa Cruz LWIA is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of procurement. The finding that we identified in this area, our recommendation, and the Santa Cruz LWIA's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 29 CFR Section 97.36 states, in part, that grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law.

The Santa Cruz LWIA's policy and procedures states that the power to authorize a sole source award is limited to the Director of the Workforce Investment Board.

Observation: The Santa Cruz LWIA did not follow its own policy and procedures for one of three sole source procurements conducted

for PY 2007-08. Specifically, the procurement for a Workforce Investment Board retreat consultant was approved by a Senior Analyst rather than the WIB Director, as required.

Recommendation: We recommended that the Santa Cruz LWIA provide the Compliance Review Division with a CAP explaining how it will ensure that, in the future, it follows its own procurement policies and procedures as it relates to the approval of sole source procurements.

LWIA Response: The Santa Cruz LWIA stated that, in this instance, the WIB Director signed the purchase order request. The County of Santa Cruz Justification for Sole Source document was prepared by staff, then reviewed and signed by the Procurement Officer on behalf of the WIB Director. The Procurement Officer also indicated that this was a small purchase under \$6,500 in the WIB's policies and was not an award of a service or contract. Additionally, it is standard operating practice for the Procurement Officer to review procurements and small purchases prior to sign-off by the Director. The WIB Procurement Officer will clarify to staff that the WIB Director will authorize and sign all County Sole Source Justifications by August 2008. In addition, the WIB Director will provide in-writing the authorization for the Procurement Officer to sign sole source procurement documents when the Director is out of the office.

State Conclusion: The Santa Cruz LWIA's stated corrective action should be sufficient to resolve this issue and we consider this finding closed. We do however, suggest that the Santa Cruz LWIA revise its Sole Source Policy and Procedures to specify the authority given to additional staff that is authorized to approve and sign sole source procurements.

In addition, we recommend that Santa Cruz LWIA provide the Compliance Review Division (CRD) with a copy of the revised policy and procedures.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than September 26, 2008.

Ms. Kathy Zwart

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August 29 2008

Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is Santa Cruz LWIA's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain Santa Cruz LWIA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Karen Fuller-Ware at (916) 653-4174.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Don Migge, MIC 50
Daniel Patterson, MIC 45
Eileen Rohlfing, MIC 50